

**Net Economic Loss
for
RAJESH PADMARAJU**

Expert Opinion

Although personal income, behavior and spending patterns vary from individual to individual, there is a significant amount of data and studies that have been made of the economic future of the average person in a statistical group. My calculations and conclusions are based upon reasonable estimates of the economic classification and economic future of Rajesh Padmaraju.

Based on the analysis contained in this report, the net economic loss relative to Rajesh Padmaraju is \$647,360.



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PURPOSE

The purpose of this report is to determine the net economic loss of Rajesh Padmaraju. The net economic loss is determined by calculating the lost earnings capacity of Mr. Padmaraju, had he lived to a normal life expectancy, and reducing those earnings by certain maintenance expenses.

DATA FOR RAJESH PADMARAJU

Date of Birth	April 13, 1974
Date of Death	October 6, 2001
Age at Date of Death	27
Race	Indian
Sex	Male

GENERAL BACKGROUND INFORMATION

I have read various materials including Mr. Padmaraju's personal tax returns and job information provided by his employer. I discussed background information with Attorney Edward Chiodo. I have used statistical and income information compiled by the United States Government's Bureau of the Census, Bureau of Economic Analysis and Bureau of Labor Statistics as well as private academic studies. I have also relied on direct experience in dealing with hundreds of individual's personal financial matters, income and expenditures in over thirty years as a Certified Public Accountant.

DETERMINATION OF ANNUAL INCOME LEVEL

At the time of his death, Mr. Padmaraju was employed as a computer software programmer for Advent Business Solutions, Inc. Mr. Padmaraju recently joined Advent Business Solutions, Inc. and his duties included designing, developing, testing and implementing custom computer software according to the customer's specifications. As indicated in the letter from Mr. Padmaraju's employer, Mr. Padmaraju "was likely to be continued to be employed with Advent if work is available with the then client or if some other customer needs the similar services."

The letter further stated that Mr. Padmaraju's gross annual wages were \$43,000 at the time of his death. Mr. Padmaraju received no fringe benefits except those statutory benefits required by law.

While it is a low probability that Mr. Padmaraju would be a long-term employee of Advent, he might have found similar employment elsewhere. Therefore, we have used \$43,000 as his annual income.

We have estimated the statutory fringe benefits received by Mr. Padmaraju as follows:

Social Security and Medicare (7.65% of wages)	\$ 3,290
Federal and State Unemployment Contributions (Estimate)	600
	<u>\$ 3,890</u>

I conclude that Rajesh Padmaraju would have earned \$46,890 in gross annual earnings and benefits.

WORK LIFE EXPECTANCY

Work life expectancy is that period of time in an individual's life when they will be available for employment for compensation. The United States Department of Labor, Bureau of Labor Statistics has analyzed the amount of time that an individual spends in the work force and variables that affect that work life expectancy. The most significant variables in determining work life expectancy are age and sex. Rajesh Padmaraju was a male born April 13, 1974 and was 27 years old at the time of his death.

I conclude that Mr. Padmaraju would have had a work life expectancy of 32 years.

HOUSEHOLD SERVICES

Household services are those activities an individual conducts which result in a benefit to his household. The impetus for this type of computation is that a non-working spouse, or a spouse who is employed less than full-time, provides an economic benefit to the household, despite the fact that no wages are brought into the household.

While working individuals provide a certain level of economic benefit to the household from household services, they also tend to consume a disproportionate amount of household services rendered by the non-working spouse. At the time of his death, Mr. Padmaraju had no spouse. Mr. Padmaraju provided no net household services at that time.

MAINTENANCE AND CONSUMPTION EXPENDITURES

In order to arrive at the net economic loss for Mr. Padmaraju, the earnings computed above must be reduced by an amount representing necessary living expenses for the period of his working life. Generally, these costs are referred to as personal maintenance, or consumption expenditures. Personal maintenance expenditures are affected by such variables as age, income, marital status and family size. Not all expenditures are considered for purposes of personal maintenance. Taxes, for example, are excluded in establishing the amount of these expenditures.

The primary categories for purposes of establishing maintenance and consumption expenditures are:

- Food
- Shelter
- Clothing
- Transportation
- Healthcare
- Entertainment
- Personal Care
- Miscellaneous

The two most significant factors in determining consumption expenditures are level of income and the size of the household unit. A person living on their own would generally spend significantly more money **per person** than a person who is one-fourth of a family of four.

At the time of his death Mr. Padmaraju was a single individual.

The United States Bureau of Labor Statistics has computed information on expenditures (Consumer Expenditure Data, 1994-95) as they relate to household size and income. Mr. Padmaraju's household size was one person. The Survey indicates that a single male earning \$43,965 (approximately Mr. Padmaraju's income) would consume between 55% and 65.4% of his income for personal consumption expenditures.

Another study, *Estimating Personal Consumption Costs in Wrongful Death Cases*, published in Forensic Economics (updated 2004) by Robert Patton and David Nelson, indicates a single male earning \$40,000 to \$45,000 would consume between 57.1% and 69.5% of income in personal consumption expenditures. The average of the ranges indicated in these studies is approximately 62%.

I conclude that Mr. Padmaraju's personal consumption expenditures would have been 62% of his wages.

SUMMARY OF ECONOMIC LOSS FOR RAJESH PADMARAJU

Mr. Padmaraju's net economic loss is computed as follows:

Wages	\$ 43,000
Fringe Benefits	3,890
Total Annual Earnings	46,890
Work Life Expectancy	x 32 yrs.
	1,500,480
<u>Less: Personal Consumption (62% of wages)</u>	(853,120)
Net Economic Loss	\$ 647,360